GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:2944
ANSWERED ON:12.12.2011
MFN STATUS TO INDIA
Das Shri Khagen;Lagadapati Shri Rajagopal;Owaisi Shri Asaduddin;Panda Shri Prabodh;Patil Shri A.T. Nana;Rajendran Shri C.;Reddy Shri Anantha Venkatarami;Tomar Shri Narendra Singh ;Yadav Shri Om Prakash

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether Pakistan has granted the Most Favoured Nation status to India;

(b) if so, the details of the trade issues discussed at the level of Ministers and Secretaries between India and Pakistan during the last three months alongwith the outcome thereof;

(c) the extent to which India and Pakistan have implemented their obligations under the South Asian Free Trade Agreement (SAFTA) and Preferential Trade Arrangements (PTA), Country- wise separately alongwith the details of present quantum of imports and exports between the two countries in Indian rupees terms, item-wise; and

(d) the specific steps being taken by the Government to streamline and boost the trade relations between the two countries including pruning of negative list, removal of non-tariff barriers etc.?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JYOTIRADITYA M. SCINDIA)

(a) The decision taken in the Cabinet meeting of Pakistan, communicated through the Press Release of Pakistan Government dated 2nd November 2011, is that "the (Pakistan) Cabinet gave Ministry of Commerce the mandate to take the process of normalization forward, which would culminate in the observance of Most Favoured Nation (MFN) principle in its true spirit".

(b) During the recent meeting of Commerce Ministers' of India and Pakistan held in New Delhi on 28.09.2011, the Ministers affirmed that fully normalized commercial links between both countries would strengthen the bilateral relationship and build the bridges of friendship, trust and understanding- for mutual benefit of their people and promotion of prosperity in South Asia. Both Commerce Ministers mandated their Commerce Secretaries to pursue with vigor the task of fully normalizing bilateral trade relations. They agreed that their countries would cooperate for a high ambition of preferential trade relations under the framework of South Asian Free Trade Agreement (SAFTA). They noted with satisfaction the joint and collaborative efforts already being made by India and Pakistan to liberalize trade in goods and services under SAFTA. They agreed that all mutual obligations contracted under SAFTA would be implemented with full sincerity.

Sixth round of talks on commercial and economic co-operation between Commerce Secretaries of India and Pakistan have been held on 14-15th November, 2011 in New Delhi. During the above discussion, following points have been agreed:

(i) Both sides have agreed to jointly work to more than double bilateral trade within three years, from current levels of 2.7 billion US dollars per annum to about 6 Billion dollars.

(ii) The Agreed minutes of the Sixth round of talks reflect Pakistan's position for observance of Most Favoured Nation (MFN) as follows:

"The move to full normalization of trade relations shall be sequenced. In the first stage, Pakistan will transition from the current Positive List approach to a Negative List. The consultation process on devising this Negative List is almost complete. A small Negative List shall be finalized and ratified by February, 2012. Thereafter, all items other than those on the Negative List shall be freely exportable from India to Pakistan. In the second stage, the Negative List shall be phased out. The timing for this phasing out will be announced in February 2012 at the time the List is notified and it is expected that the phasing out will be completed before the end of 2012."

With the entire phasing out of the Negative List, the transition process to MFN treatment shall be complete.

(iii) Indian side has agreed to address issues raised by Pakistan under Non-Tariff Barriers for import of Cement, Textiles, Fruits & Vegetables, Processed food items and surgical instruments.

(iv) Both sides agreed that the present visa regime for businesspersons was a significant barrier to the rapid expansion of trade. It was noted that the Interior Ministry of Pakistan and India's Ministry of Home Affairs had reached a broad understanding to put in place reciprocal arrangements which shall substantially liberalize the visa provisions for business persons.

(v) Both sides also reached a broad understanding to enhance trade in petroleum products and put in place infrastructure for trade in electricity.

(c) There is no separate Preferential Trade Agreement (PTA) between India and Pakistan. In terms of the SAFTA obligations, both countries can maintain a Sensitive List (SL) of items whose imports would be made under MFN principles. India currently maintains a SL (the Non-LDC SL) of 868 tariff lines which are allowed to be imported from Pakistan at MFN tariff rates. Other than the 868 SL items, India has a current peak tariff level of 11% for SAFTA related imports from Pakistan and Sri Lanka. This peak tariff is to reduce to 8% from 1st January, 2012 and further to 5% from 1st January, 2013. Pakistan has a SL consisting of 936 tariff lines. However, due to Pakistan's present import control order, the MFN principles have not yet been operationalised by it for India, for all these tariff lines. Hence, the SAFTA obligations are also currently not being met by Pakistan for India. The details of exports to and imports from Pakistan for last two financial years, item-wise, with value in Indian rupees, are given in Annexure.

(d) During the Sixth Round of talks, both sides designated the Joint Secretaries in their respective Ministries of Commerce as Chief Negotiators for working on how to improve preferential trading arrangements under SAFTA. Specific steps to streamline and boost trade relations between the two countries have also been taken as per details of (b) and (c) above.